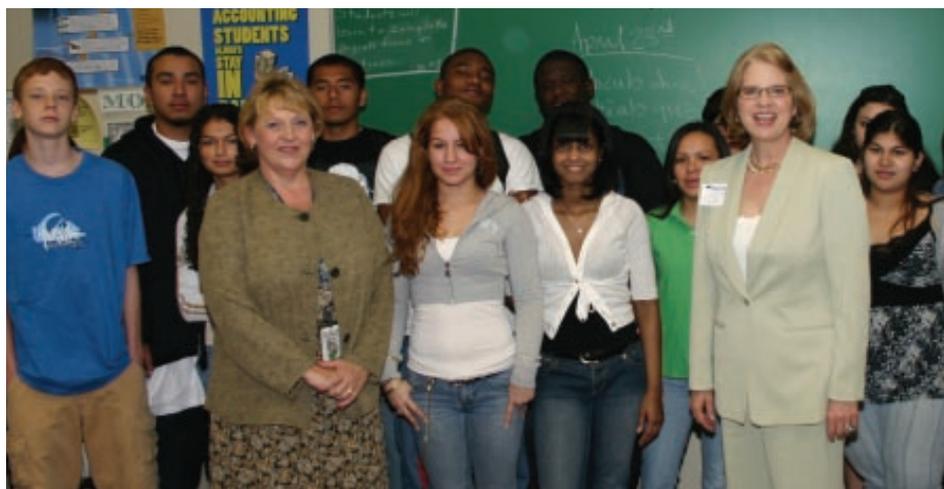


## Chairman Johnson stresses financial education, volunteer service

Recognizing Financial Literacy Month and National Volunteer Week, Chairman JoAnn Johnson visited Woodbridge Senior High School, in Woodbridge, Va., to emphasize the importance of financial education, demonstrate the [www.mymoney.gov](http://www.mymoney.gov) website, and present the President's Volunteer Service Award to dedicated student volunteers.

"The sooner America's youth receive the tools and resources of financial education, the better decisions they will make the rest of their lives," said Chairman Johnson. "As these high school students soon head to college, they will be exposed to countless credit card offers. It is especially important to make them aware of handling these products wisely in order to avoid unnecessary and long term debt. I was impressed with the eagerness these students displayed while navigating the MyMoney.Gov website and putting this valuable resource to good use."



Woodbridge Va., April 23, 2007—NCUA Chairman JoAnn Johnson with Teacher Kathy Bergmann and a group of students at Woodbridge Senior High School. Chairman Johnson offered the students some tips on sound financial practices at a classroom discussion during her visit.

In recognition of National Volunteer Week, Chairman Johnson presented the President's Volunteer Service Award to My-Hang (Maria) McNealy, Amanda Bergmann, and Charles N. Ofori, Jr.,

three Woodbridge students who display an outstanding commitment to volunteer service within their community and as tellers at the "Viking Vault," the student-run credit union located inside the high school.

## Credit unions encouraged to work with mortgage borrowers

NCUA and other regulatory agencies issued a joint statement in April encouraging financial institutions to work with homeowners unable to make mortgage payments. Attached to *Letter to Federally Insured Credit Unions No. 07-CU-06* (online at <http://www.ncua.gov/letters/letters.html>), the joint statement explains that financial institutions will not face regulatory penalties if they pursue reasonable workout arrangements with borrowers. Prudent workout arrangements, consistent with safe and sound lending practices, are generally in the long-term best interest of both the financial institution and the borrower.

The statement encourages borrowers unable to make their mortgage payments to contact their lender or servicer as soon as possible to discuss available options. Examples of constructive workout arrangements are also included.

NCUA reminds credit unions that existing regulatory guidance and accounting standards do not require immediate foreclosure on homes when borrowers fall behind on payments. In addition, the Homeownership Counseling Act requires institutions to inform delinquent borrowers of available homeownership counseling. Details are online at <http://www.hud.gov/offices/hsg/sfh/hcc/hcs.cfm>.

## HIGHLIGHTS

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| 2006 HMDA data is available                              | 2 |
| Apply for grant funding                                  | 2 |
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| Hood presents federal credit union charter               | 3 |
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# Regulators meeting promotes mutual understanding

The 29th National Regulators Meeting held March 25-27 in Salt Lake City brought together the National Credit Union Administration (NCUA) and the National Association of State Credit Union Supervisors (NASCUS) to hear from numerous experts and discuss relevant topics.

NCUA Board members, regional directors and senior staff interacted with NASCUS officials and 70 state regulators representing 35 states during the three day educational sessions and interactive roundtable discussions focused on current and emerging issues.

“Federal and state regulators frequently experience the same challenges and opportunities when striving to ensure the nation’s credit unions are safe, secure financial institutions that serve their members well,” Gigi Hyland, NCUA Board Member and Board liaison to NASCUS told meeting participants.

“Regularly joining together for a national regulators meeting, sharing common goals and discussing common challenges helps create a bond of

understanding that pervades our interactions today, tomorrow and in the future.”

“The 2007 NASCUS/NCUA National Regulators Meeting was very valuable. The face-to-face discussion by state and federal regulators on national regulatory and examination issues is critical. We thank NCUA for their collaboration as we developed the meeting sessions. NASCUS

looks forward to continued regulator-to-regulator dialogue at future national meetings,” said Linda Jekel, Director of Credit Unions for Washington State.

Policy issue discussions will continue between NASCUS state regulators and NCUA at the Interagency Dialogue scheduled during the NASCUS State System Summit, August 10 in Fort Lauderdale, Florida.

## 2006 HMDA data is available

The 2006 federal bank, credit union and thrift home mortgage loan data, which is disclosed under the Home Mortgage Disclosure Act (HMDA), is available.

HMDA, enacted by Congress in 1975, requires most mortgage lenders located in metropolitan areas to collect housing-related lending data, report the data to the government annually by March 1, and make the data publicly available in a modified Loan Application Register. Initially, HMDA required reporting the geographic location of originated and purchased loans. In 1989, Congress expanded HMDA data reporting to include information about denied home loan applications as well as the race, sex and income of applicants and borrowers. In 2002, the Federal Reserve Board amended the HMDA regulation requiring lenders to begin reporting in 2004, along with additional data, loan pricing (rate spread)

data for certain higher-priced home mortgage loans in response to concerns about this area of mortgage lending.

HMDA loan data may be used to facilitate fair lending supervision and enforcement. HMDA data are analyzed in conjunction with other factors to assess an institution’s level of risk for lending discrimination. However, it is not possible to conclude from HMDA data alone whether a lender is complying with fair lending laws. HMDA data do not include many potential determinants of credit decisions and loan pricing, such as the borrower’s credit history, debt-to-income ratio and loan-to-value ratio.

More information about HMDA data is available in the FAQs on FFIEC website [www.ffiec.gov/hmda/faq.htm](http://www.ffiec.gov/hmda/faq.htm). The FFIEC will release lender summary statistical reports and aggregate Metropolitan Statistical Area reports in September.

## NCUA News

National Credit Union Administration

NCUA News is published by the National Credit Union Administration, the federal agency which supervises and insures most credit unions.

**JoAnn Johnson**, *Chairman*  
**Rodney E. Hood**, *Vice Chairman*  
**Christiane Gigi Hyland**, *Board Member*

Information about NCUA and its services may be secured by contacting 703-518-6330.

Office of Public & Congressional Affairs  
**Cherie Umbel**, *Editor*

National Credit Union Administration  
1775 Duke Street  
Alexandria, VA 22314-3428

## Apply for grant funding

Low-income designated credit unions are eligible to apply for the following Community Development Revolving Loan Fund grants

| Grants available           | Maximum amount | Closing date      |
|----------------------------|----------------|-------------------|
| Building Internal Capacity | \$7,000        | July 6, 2007      |
| Training                   | \$3,000        | December 31, 2007 |
| Student Internship         | \$3,000        | December 31, 2007 |
| Urgent Needs               | \$3,000        | December 31, 2007 |

Obtain a CDRLF grant application on the NCUA website at <http://www.ncua.gov/CreditUnionDevelopment/Programs/FinanceGrants.htm>  
Contact 703-518-6610 for additional information.

## Board actions April 12, 2007



### Merger compensation notice requirements proposed

The NCUA Board issued a proposed rule amending Part 708b to enhance transparency and ensure merger decisions are based on the best interest of members. The proposal would require federally insured credit unions filing merger plans with NCUA to include a description of merger related compensation arrangements that provide a material increase in compensation or other financial benefit for board members or senior management officials.

In addition, the proposal requires that federal credit unions disclose the existence of any compensation arrangements providing a material increase within ballot materials given to members before voting on a proposed merger. The amendment is designed to address circumstances when a prospective merger partner seeks to improperly influence merging credit union director deliberations. The proposal was issued with a 60-day comment period.

### Member inspection of credit union records proposal issued

The NCUA Board issued proposed rule §701.3 to standardize and clarify member access to federal credit union records. The proposed rule would permit a group of approximately 1 percent of members, with a legitimate purpose and upon petition, to inspect and copy non-confidential portions of their credit union's books, records and minutes.

The rule would replace a series of NCUA legal opinions directing federal credit unions to look to state corporation law for member inspection rights. The proposal describes the types of records that are confidential and not subject to inspection; how the costs of locating, reviewing, and duplicating records would be apportioned between petitioners and the credit union; and how disputes over access would be resolved. The proposal was issued with a 60-day comment period.

### NCUSIF first quarter 2007 equity ratio is 1.31 percent

The National Credit Union Share Insurance Fund (NCUSIF) equity ratio was 1.31 percent March 31, 2007, based on Fund equity less unreserved contingent liabilities divided by total insured shares.

NCUSIF reported the following revenue and expenses for the first quarter of 2007—\$77.9 million in gross income, \$59.5 million in net income, \$18.1 million in operating expenses, and \$300,000 in insurance losses. Net income is projected to be \$207 million and insurance losses are projected to be \$24 million for the year.

Three credit unions failed during the first three months of 2007—two assisted mergers and one liquidation. The number of problem CAMEL code 4/5 credit unions declined to 236 as of March 31, 2007.

### Board votes are unanimous unless indicated

#### Small Credit Union Workshops

The NCUA Office of Small Credit Union Initiatives is hosting a number of Small Credit Union Workshops. Upcoming 2007 workshops will be held in the following cities.

|                           |                |
|---------------------------|----------------|
| <b>Denver, Colorado</b>   | <b>May 19</b>  |
| <b>Portland, Oregon</b>   | <b>June 2</b>  |
| <b>Albany, New York</b>   | <b>June 23</b> |
| <b>San Antonio, Texas</b> | <b>June 23</b> |

Registration forms are online at: <http://www.ncua.gov/CreditUnionDevelopment/Events/Index.htm>

For information on all workshops call: (703) 518-6610 or visit <http://www.ncua.gov/CreditUnionDevelopment/Index.htm>

## Hood presents FCU charter



Vice Chairman Rodney E. Hood presented Reverend Dr. Lee P. Washington with a charter for Reid Temple AME Church Federal Credit Union, Glenn Dale,

Maryland, during church services April 1, 2007.

The associational based credit union was organized to serve the 8,000 people who are members and employees of Reid Temple African Methodist Episcopal (AME) Church as well as the students and employees of Reid Temple Christian Academy.

“Credit unions have displayed the people helping people philosophy since their inception nearly 100 years ago. The 80 compassionate ministries at Reid Temple have made a positive impact in the lives of its members and the local community by providing hope and empowerment. It is my fervent prayer that this new federal credit union will further provide the fine members of this congregation with hope, empowerment and opportunity for a better tomorrow,” Vice Chairman Hood said presenting the new charter to Dr. Washington.

Located at the Church, the credit union was formed to foster greater financial stability for church members through an emphasis on financial literacy and access to credit.



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information directly  
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# Conversations with AMERICA



## My Government Listens

**Date:** Thursday, May 3, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** Filene Low Wealth Institute  
**Location:** New Orleans, LA  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Thursday, May 10, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** Women's Leadership Symposium  
**Location:** Austin, TX  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Thursday, May 17, 2007  
**Who:** Chairman JoAnn Johnson  
**Event:** Pacoima Development FCU's Grand Opening  
**Location:** Pacoima, CA  
**Contact:** Linda Queen at [lqueen@ncua.gov](mailto:lqueen@ncua.gov) or 703-518-6309

**Date:** Thursday, May 17, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** Idaho Credit Union League Annual Meeting  
**Location:** Coeur d'Alene, ID  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Friday, May 18, 2007  
**Who:** Vice Chairman Rodney Hood  
**Event:** Michigan Credit Union League's Annual Convention & Exposition  
**Location:** Detroit, MI  
**Contact:** Sally Ridgely at [sridgely@ncua.gov](mailto:sridgely@ncua.gov) or fax: 703-519-4017

**Date:** Friday, May 18, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** NAFCU Volunteers Conference  
**Location:** Newport, RI  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Saturday, May 19, 2007  
**Who:** Vice Chairman Hood  
**Event:** Pennsylvania Credit Union League's Annual Convention  
**Location:** Hershey, PA  
**Contact:** Sally Ridgely at [sridgely@ncua.gov](mailto:sridgely@ncua.gov) or fax: 703-519-4017

**Date:** Monday, May 21, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** WesCorp Annual Meeting  
**Location:** Pasadena, CA  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Saturday, June 2, 2007  
**Who:** Chairman JoAnn Johnson  
**Event:** Central Florida Healthcare FCU's Annual Meeting  
**Location:** Las Vegas, NV  
**Contact:** Linda Queen at [lqueen@ncua.gov](mailto:lqueen@ncua.gov) or 703-518-6309

**Date:** Tuesday, June 5, 2007  
**Who:** Chairman JoAnn Johnson  
**Event:** CUNA America's CU Conference & Expo  
**Location:** Las Vegas, NV  
**Contact:** Linda Queen at [lqueen@ncua.gov](mailto:lqueen@ncua.gov) or 703-518-6309

**Date:** Wednesday, June 6, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** NCUA Task Force Town Hall Meeting  
**Location:** New Orleans, LA  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Thursday, June 7, 2007  
**Who:** Vice Chairman Rodney Hood  
**Event:** NFCDCU Annual Conference  
**Location:** New Orleans, LA  
**Contact:** Sally Ridgely at [sridgely@ncua.gov](mailto:sridgely@ncua.gov) or fax: 703-519-4017

**Date:** Friday, June 8, 2007  
**Who:** Chairman JoAnn Johnson  
**Event:** Ukrainian National CU Assoc. Annual Meeting  
**Location:** Cleveland, OH  
**Contact:** Linda Queen at [lqueen@ncua.gov](mailto:lqueen@ncua.gov) or 703-518-6309

**Date:** Friday, June 8, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** NFCDCU Conference  
**Location:** New Orleans, LA  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** Saturday, June 9, 2007  
**Who:** Vice Chairman Rodney Hood  
**Event:** Big 10 Credit Union Conference  
**Location:** South Bend, IN  
**Contact:** Sally Ridgely at [sridgely@ncua.gov](mailto:sridgely@ncua.gov) or fax: 703-519-4017

**Date:** Tuesday, June 12, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** Pennsylvania CU League's GAC  
**Location:** Harrisburg, PA  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

**Date:** June 14, 2007  
**Who:** Chairman JoAnn Johnson  
**Event:** Nat'l. Assoc. of Credit Union Supervisory and Auditing Com. Annual Conference  
**Location:** Maui, HI  
**Contact:** Linda Queen at [lqueen@ncua.gov](mailto:lqueen@ncua.gov) or 703-518-6309

**Date:** Monday, June 18, 2007  
**Who:** Board Member Gigi Hyland  
**Event:** Rhode Island CU League Annual Meeting  
**Location:** Providence, RI  
**Contact:** Nina Bullard at [nbullard@ncua.gov](mailto:nbullard@ncua.gov) or 703-518-6318

## Vice Chairman Hood celebrates Small Business Week

Vice Chairman Rodney E. Hood delivered the keynote address at the Participation & Business Lending Symposium hosted by WesCorp and Business Partners LLC in Scottsdale, Ariz. The “Think Big” conference focused on business real estate, small business and SBA lending as well as economic trends and their impact on credit unions.

Vice Chairman Hood took the opportunity to announce he will be hosting a webinar to assist rural credit unions secure member business loan guarantees from USDA. He also thanked symposia organizers for creating a forum promoting the discussion of profitability and how to make an impact on the bottom line through business services.

“Coinciding with National Small Business Week, this conference is an important time to honor small business owners and workers for their important role in ensuring that America remains the economic leader of the world,” Vice Chairman Hood said. “As your regulator, it is my priority to provide you with a regulatory framework whereby you have the flexibility and empowerment to provide affordable capital to your member-owners,” said Hood.

Since August of 2003, over 7 million jobs have been created and the Vice

Chairman applauded the President’s commitment to fostering a regulatory environment that allows entrepreneurs to thrive. Today, small business owners account for nearly half of America’s employment by creating 2 out of 3 new jobs.

“I encourage credit unions to continue providing innovative member business lending products which help member-owners establish viable businesses that create jobs and sustain local communities,” the Vice Chairman said.

“Recent studies reveal that today 7 of 10 small business owners start out with capital of less than \$20,000, and 70 of the fastest growing companies in America started with less than \$1,000, all funded by the Small Business Administration—America Online, FedEx, and Intel are examples. That to me is the American dream in action and I am thrilled to have an opportunity to work with you in helping over 85 million credit union member-owners live their dreams,” Hood said.



Tallahassee, Fla., April 2, 2007—NCUA Vice Chairman Rodney Hood and Envision Credit Union Board Chairman David Helton discuss the credit union’s Go Green, Save Green program. Envision Credit Union is encouraging members to buy fuel efficient vehicles with its Go Green, Save Green auto lending program, which offers members a 1 percent loan discount when purchasing a new car that averages at least 30 MPG.

## Outreach Task Force meetings yield range of perspectives

NCUA Board Member Gigi Hyland hosted the first two Outreach Task Force Town Hall meetings April 18 and April 23 in Cincinnati, Ohio, and Boston, Mass. The Outreach Task Force was formed in response to the findings in NCUA’s Member Service Assessment Pilot Program (MSAP), and the Town Hall meetings are designed to gather input and ideas on MSAP recommendations from credit unions, credit union leagues and other interested parties.

Board Member Hyland began the meetings providing background information and encouraging active audience participation.

“Your contributions are vital to task

force deliberations,” Board Member Hyland said. “These Town Hall meetings begin with a clean slate and with no decisions yet made on any of the issues under consideration.”

In groups, attendees discussed a variety of questions focusing on the challenges and opportunities surrounding credit union service to low-income individuals as well as whether data should be collected on executive compensation. Each table recorded their ideas and discussion, summarized the information, and reported it to the entire audience where it was discussed by all attendees. Topics included NCUA programs and processes to encourage outreach to underserved

communities, the value of low-income designation, NCUA’s role in encouraging outreach to the underserved, data collection on member income, and data collection on executive compensation.

“The format of the meetings enables the audience to share their insights and concerns. I listened attentively and am sharing with NCUA the valuable information gained from the meetings. I look forward to upcoming meetings and the excellent dialogue that will occur.”

The next Town Hall meeting is scheduled June 6 in New Orleans, La. For a complete schedule and to register for future meetings, access <http://www.ncua.gov/TH-Outreach/Index.htm>



## Balance sheet management

# Investing in unusual circumstances

### Economic expansion with the inverted yield curve

Investing in today's uncertain environment creates numerous challenges for credit unions. Many forecasters and macroeconomic indicators point to continued economic expansion, albeit at a slower pace. The rate of inflation is somewhat above a comfortable level, while the rate of unemployment remains low.

When the federal funds rate level is high, an inverted yield curve has accurately signaled future economic recessions, with a lead time of about four to six quarters. An inverted yield curve refers to short-term interest rates exceeding long-term interest rates.

But the level of the federal funds rate is not particularly high, only 5.25 percent. And the yield curve is currently only slightly inverted. The current three month Treasury yield is about ½ percent higher than the current ten year Treasury yield.

To cope with this uncertainty, credit unions should structure their investment portfolios to balance liquidity goals with earnings needs, while controlling risk. While a sound investment strategy needs to be tailored to the specific goals and needs of a credit union, the following are some points to consider:

- A balanced, diversified portfolio may include sufficient funds placed in an overnight account to meet immediate liquidity needs. But over reliance on an overnight account can result in earnings pressure if short term rates decline.
- Laddering investments results in a diversified maturity structure, providing some liquidity while reducing the impact of interest rate fluctuations on earnings, in comparison to holding funds in an overnight account.
- Obtaining multiple broker quotations remains a prudent practice.
- For callable securities, analyze the risk of holding to maturity in higher rate environments versus the reinvestment risk in lower rate environments. Do not count on a security being called.
- Call NCUA's Investment Hotline (1-800-755-5999) to ask questions about complex investments or asset/liability management issues.



*Dewey Beach, Delaware, April 21, 2007—NCUA Board Member Gigi Hyland visits with Delaware Governor Ruth Ann Minner at the Delaware League Annual Meeting.*

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